

# **Village of Quincy**

**Branch County, Michigan**

## **FINANCIAL STATEMENTS**

**For the Year Ended  
March 31, 2008**



**REHMANN ROBSON**

*Certified Public Accountants*

**VILLAGE OF QUINCY**  
**For the Year Ended March 31, 2008**

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP

**INDEPENDENT AUDITORS' REPORT**

September 30, 2008

Members of the Village Council  
Village of Quincy  
Quincy, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***Village of Quincy, Michigan***, as of and for the year ended March 31, 2008, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining aggregate fund information of the Village of Quincy, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the general fund and each major special revenue fund, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2008, on our consideration of the Village of Quincy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Lehmann Johnson". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

## MANAGEMENT'S DISCUSSION and ANALYSIS

## Management's Discussion and Analysis

As management of the *Village of Quincy, Michigan*, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended March 31, 2008.

### Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$4,125,487 (net assets). Of this amount, \$625,446 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total net assets increased by \$1,509. The majority of the increase is attributed to a one time increase in state aid for street operations and construction.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$333,437, an increase of \$47,575 in comparison with the prior year. Approximately 99% of the fund balance, or \$330,518, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$104,265 or 15% percent of total general fund expenditures. General fund expenditures were higher than normal this fiscal year because of higher snow removal costs in the downtown.
- The Village's total installment debt decreased by \$104,702 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, public works, and highways and streets. The business-type activities of the Village include water and sewer operations.

The government-wide financial statements include not only the Village itself (known as the primary government), but also three component units. The Downtown Development Authority, Brownfield Redevelopment Authority, and Local Development Finance Authority are legally separate components. Information on these three units can be found on pages 33 and 34 of this report.

The government-wide financial statements can be found on pages 13-15 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

The Village maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major streets, local streets, and municipal streets, each of which are considered to be major funds. The Village of Quincy does not have any non major funds.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-26 of this report.

**Proprietary funds.** The Village maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its sanitary sewer and water distribution operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, both of which are considered to be major funds of the Village.

The basic proprietary fund financial statements can be found on pages 27-32 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-50 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Quincy, assets exceeded liabilities by \$4,125,487 at the close of the most recent fiscal year.

	Governmental activities		Business-type activities		Total	
	2007	2008	2007	2008	2007	2008
Current and other assets	\$ 318,410	\$ 397,503	\$ 323,675	\$ 296,947	\$ 642,085	\$ 694,450
Capital assets, net	1,820,161	1,748,065	3,674,905	3,563,766	5,495,066	5,311,831
Total assets	2,138,571	2,145,568	3,998,580	3,860,713	6,137,151	6,006,281
Long-term liabilities outstanding	887,905	815,047	1,042,472	1,007,170	1,930,377	1,822,217
Other liabilities	55,432	44,416	32,443	14,161	87,875	58,577
Total liabilities	943,337	859,463	1,074,915	1,021,331	2,018,252	1,880,794
Net assets:						
Invested in capital assets, net of related debt	993,515	941,275	2,634,905	2,558,766	3,628,420	3,500,041
Unrestricted	201,719	344,830	288,760	280,616	490,479	625,446
Total net assets	\$ 1,195,234	\$ 1,286,105	\$ 2,923,665	\$ 2,839,382	\$ 4,118,899	\$ 4,125,487



By far the largest portion of the Village's net assets (85 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of *unrestricted net assets* (15 percent or \$625,446) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

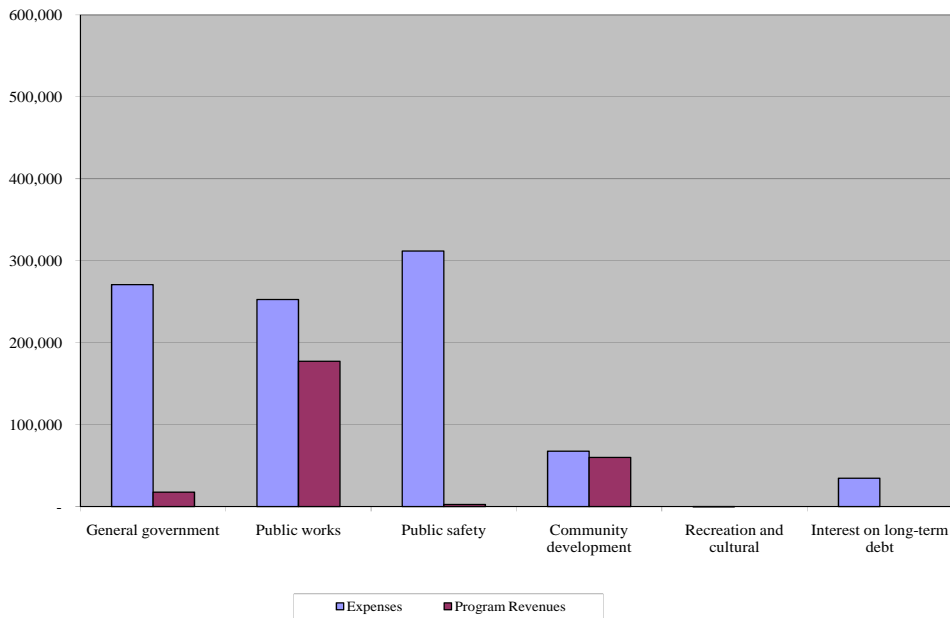
The government's net assets increased by \$1,509 during the current fiscal year. This amount is comprised of an increase to governmental activities of \$85,842, and a decrease to business-type activities of \$84,333. The increase in government activities is the result of a one time increase in state aid for street operation and construction. The decrease in business activities is the result of a higher level of depreciation versus system investment.

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Revenue:						
Program revenue:						
Charges for services	\$ 73,476	\$ 19,998	\$ 564,481	\$ 629,588	\$ 637,957	\$ 649,586
Operating grants and contributions	120,462	237,465	11,234	7,670	131,696	245,135
Capital grants and contributions	28,997	-	-	-	28,997	-
General revenue:						
Property taxes	343,369	385,541	-	-	343,369	385,541
State shared revenues	215,625	210,886	-	-	215,625	210,886
Grants and contributions not restricted to specific programs	114,029	135,016	-	-	114,029	135,016
Other	(139)	2,997	-	-	(139)	2,997
Total revenue	<u>895,819</u>	<u>991,903</u>	<u>575,715</u>	<u>637,258</u>	<u>1,471,534</u>	<u>1,629,161</u>
Expenses:						
General government	292,835	270,798	-	-	292,835	270,798
Public works	386,464	252,852	-	-	386,464	252,852
Public safety	208,948	311,789	-	-	208,948	311,789
Community development	-	67,666	-	-	-	67,666
Recreation and cultural	1,256	96	-	-	1,256	96
Interest on long-term debt	35,552	34,770	-	-	35,552	34,770
Water	-	-	390,611	366,577	390,611	366,577
Sewer	-	-	319,955	323,104	319,955	323,104
Total expenses	<u>925,055</u>	<u>937,971</u>	<u>710,566</u>	<u>689,681</u>	<u>1,635,621</u>	<u>1,627,652</u>
Change in net assets before transfers	(29,236)	53,932	(134,851)	(52,423)	(164,087)	1,509
Transfers	(138,197)	31,910	138,197	(31,910)	-	-
Change in net assets	<u>(167,433)</u>	<u>85,842</u>	<u>3,346</u>	<u>(84,333)</u>	<u>(164,087)</u>	<u>1,509</u>
Net assets, beginning of year, as restated	<u>1,362,667</u>	<u>1,200,263</u>	<u>2,920,319</u>	<u>2,923,715</u>	<u>4,282,986</u>	<u>4,123,978</u>
Net assets, end of year	<u>\$ 1,195,234</u>	<u>\$ 1,286,105</u>	<u>\$ 2,923,665</u>	<u>\$ 2,839,382</u>	<u>\$ 4,118,899</u>	<u>\$ 4,125,487</u>

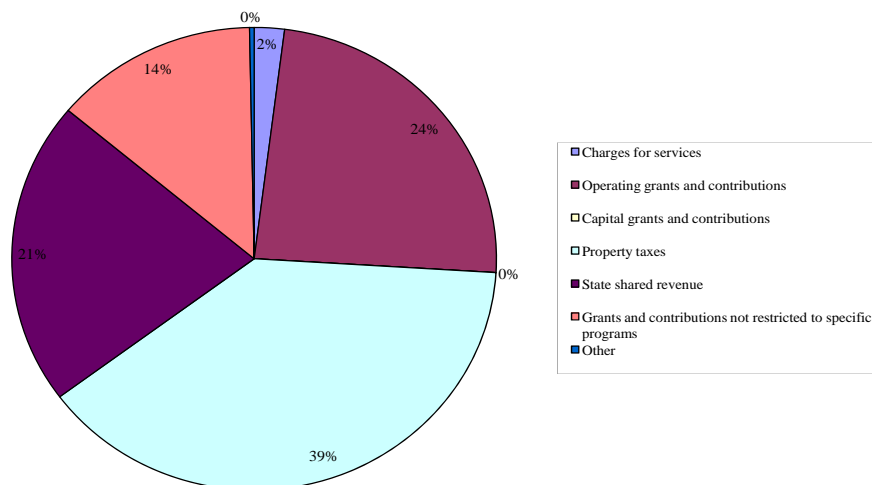
**Governmental activities.** Governmental activities increased the Village's net assets by \$85,842. The key element of this increase is as follows:

- One time increase in state aid for street operation and construction

## Expenses and Program Revenues - Governmental Activities



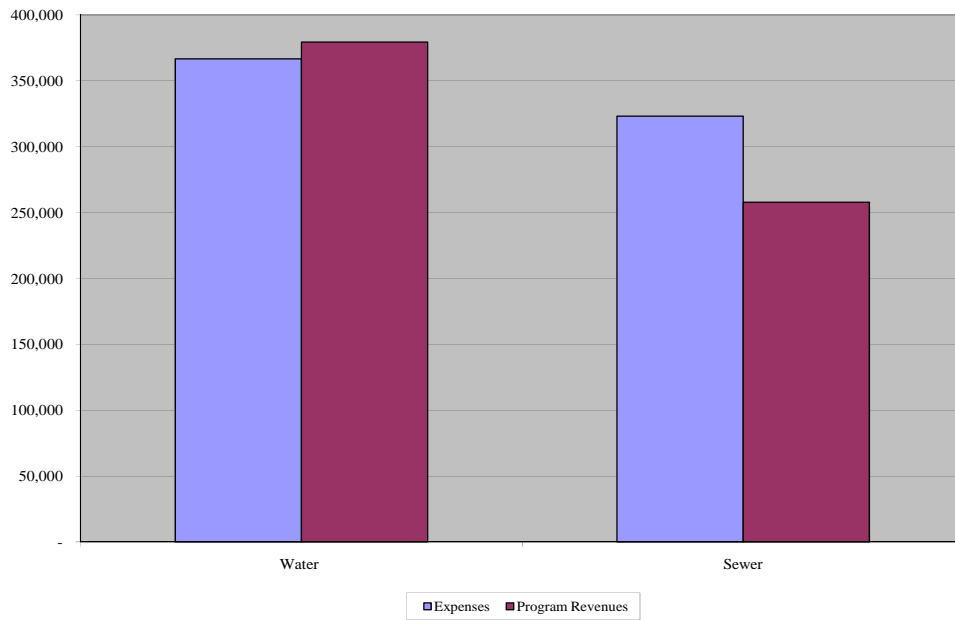
## Revenues by Source - Governmental Activities



**Business-type activities.** Business-type activities decreased the Village's net assets by \$84,333 due to the level of depreciation versus new investment in the system.

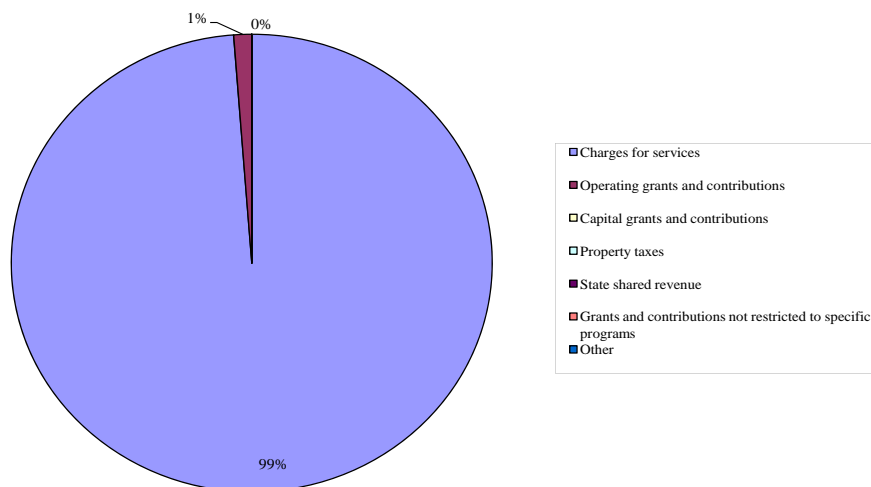
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## Expenses and Program Revenues - Business-type Activities



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## Revenues by Source - Business-type Activities



## Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$333,437, an increase of \$47,575 in comparison with the prior year. Approximately 99 percent of this total amount (\$330,518) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for prepaids (\$2,919).

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$104,265, while total fund balance was \$107,184. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 15 percent of total general fund expenditures.

The fund balance of the Village's general fund decreased by \$863 during the current fiscal year. This decrease is due to higher than expected employee costs in leaf and brush collection and snow removal from the downtown parking lots.

The major street fund has a total fund balance of \$167,258, an increase of \$78,237 during the year. The increase is the result of a one time increase in state aid, the postponement of a major road project, and decrease employee expenses.

The local street fund had an increase in fund balance for the current year of \$22,650 for an ending total of \$35,262. This increase was the result of a one time increase in state aid, the postponement of a major road project, and decrease employee expenses.

The municipal streets fund has a total fund balance of \$23,733, a decrease of \$2,603 during the year. The decrease in the fund balance was the result of a planned transfer to the local streets fund.

*Proprietary funds.* The Village's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer enterprise funds at the end of the year amounted to \$359,774 and (\$96,100), respectively. The water fund had a decrease in of \$104,597 and the sewer fund had an increase of \$3,322 in net assets for the year. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Village's business-type activities.

## Capital Asset and Debt Administration

**Capital assets.** The Village's investment in capital assets for its governmental and business-type activities as of March 31, 2008, amounted to \$5,311,831 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads and highways. The total decrease in the Village's capital assets for the current fiscal year was 3.5 percent (4.0 percent decrease for governmental activities and 3.0 percent decrease for business-type activities).

### Village of Quincy's Capital Assets (net of depreciation)

	<b><u>Governmental activities</u></b>	<b><u>Business-type activities</u></b>	<b><u>Total</u></b>
Land and Land Improvements	\$ 1,199,776	\$ 21,851	\$ 1,221,627
Buildings and systems	430,321	43,165	473,486
Vehicles and equipment	117,968	300,047	418,015
Infrastructure	-	3,198,703	3,198,703
<b>Total</b>	<b><u>\$ 1,748,065</u></b>	<b><u>\$3,563,766</u></b>	<b><u>\$ 5,311,831</u></b>

Additional information on the Village's capital assets can be found in note III.C. on pages 43 and 44 of this report.

**Long-term debt.** At the end of the current fiscal year, the Village had total installment debt outstanding of \$1,811,790. Of this amount, \$775,000 comprises debt backed by the full faith and credit of the government. The remainder of the Village's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), and installment purchase contracts.

### Village of Quincy's Outstanding Debt

	<b><u>Governmental Activities</u></b>	<b><u>Business-type activities</u></b>	<b><u>Total</u></b>
General obligation bonds	\$ 775,000	\$ -	\$ 775,000
Revenue bonds	-	1,005,000	1,005,000
Installment purchase contracts	31,790	-	31,790
<b>Total</b>	<b><u>\$ 806,790</u></b>	<b><u>\$ 1,005,000</u></b>	<b><u>\$ 1,811,790</u></b>

The Village's installment debt decreased by \$104,702 (5 percent) during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total taxable valuation. The current debt limitation for the Village is \$2,307,485, which is significantly in excess of the Village's outstanding general obligation debt.

Additional information on the Village's long-term debt can be found in note III.F on pages 46-48 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Village's budget for the 2007-08 fiscal year:

- Projections of commercial, industrial, and residential growth potential;
- Economic indicators for the region and local development projects currently proposed and or underway;
- Projected staff and capital improvements projects by the Village;
- Available taxing, bonding and grant resources.

### **Requests for Information**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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Village of Quincy  
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[eric.zuzga@quincy-mi.org](mailto:eric.zuzga@quincy-mi.org)  
[www.quincy-mi.org](http://www.quincy-mi.org)

## BASIC FINANCIAL STATEMENTS



# GOVERNMENT-WIDE FINANCIAL STATEMENTS

**VILLAGE OF QUINCY**  
**Statement of Net Assets**  
**March 31, 2008**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 350,405	\$ 193,444	\$ 543,849	\$ 39,978
Receivables, net	57,338	48,183	105,521	6,419
Internal balances	(16,942)	16,942	-	-
Prepays and other assets	6,702	38,378	45,080	-
Capital assets not being depreciated	454,300	21,851	476,151	-
Capital assets being depreciated, net	1,293,765	3,541,915	4,835,680	-
 Total assets	 2,145,568	 3,860,713	 6,006,281	 46,397
<b>Liabilities</b>				
Accounts payable and accrued liabilities	44,416	14,161	58,577	1,130
Long-term liabilities:				
Due within one year	78,006	42,218	120,224	-
Due in more than one year	737,041	964,952	1,701,993	-
 Total liabilities	 859,463	 1,021,331	 1,880,794	 1,130
<b>Net assets</b>				
Invested in capital assets, net of related debt	941,275	2,558,766	3,500,041	-
Unrestricted	344,830	280,616	625,446	45,267
 Total net assets	 \$ 1,286,105	 \$ 2,839,382	 \$ 4,125,487	 \$ 45,267

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Statement of Activities**  
**For the Year Ended March 31, 2008**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	
<b>Primary government</b>				
Governmental activities:				
General government	\$ 270,798	\$ 17,626	\$ -	\$ (253,172)
Public works	252,852	-	177,419	(75,433)
Public safety	311,789	2,372	-	(309,417)
Community development	67,666	-	60,046	(7,620)
Recreation and cultural	96	-	-	(96)
Interest on long-term debt	34,770	-	-	(34,770)
Total governmental activities	<u>937,971</u>	<u>19,998</u>	<u>237,465</u>	<u>(680,508)</u>
Business-type activities:				
Water	366,577	372,195	7,221	12,839
Sewer	323,104	257,393	449	(65,262)
Total business-type activities	<u>689,681</u>	<u>629,588</u>	<u>7,670</u>	<u>(52,423)</u>
 Total primary government	 <u>\$ 1,627,652</u>	 <u>\$ 649,586</u>	 <u>\$ 245,135</u>	 <u>\$ (732,931)</u>
<b>Component units</b>				
Downtown Development Authority	\$ 18,179	\$ -	\$ 120	\$ (18,059)
Brownfield Redevelopment Authority	30,017	-	2	(30,015)
Local Development Financing Authority	6,732	-	-	(6,732)
 Total component units	 <u>\$ 54,928</u>	 <u>\$ -</u>	 <u>\$ 122</u>	 <u>\$ (54,806)</u>

continued...

**VILLAGE OF QUINCY**  
**Statement of Activities (Concluded)**  
**For the Year Ended March 31, 2008**

<b>Functions/Programs</b>	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Changes in net assets</b>				
Net expense	\$ (680,508)	\$ (52,423)	\$ (732,931)	\$ (54,806)
General revenues:				
Property taxes	385,541	-	385,541	70,480
State shared revenue	210,886	-	210,886	-
Grants and contributions not restricted to particular programs	135,016	-	135,016	-
Unrestricted investment earnings	2,997	-	2,997	-
Transfers	31,910	(31,910)	-	-
Total general revenues and transfers	766,350	(31,910)	734,440	70,480
Change in net assets	85,842	(84,333)	1,509	15,674
Net assets, beginning of year, as restated	1,200,263	2,923,715	4,123,978	29,593
<b>Net assets, end of year</b>	<u>\$ 1,286,105</u>	<u>\$ 2,839,382</u>	<u>\$ 4,125,487</u>	<u>\$ 45,267</u>

The accompanying notes are an integral part of these financial statements.

## FUND FINANCIAL STATEMENTS

**VILLAGE OF QUINCY**  
**Balance Sheet**  
**Governmental Funds**  
**March 31, 2008**

	<b>General</b>	<b>Major Streets</b>	<b>Local Streets</b>	<b>Municipal Streets</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 175,927	\$ 134,262	\$ 30,643	\$ 9,573
Accounts receivable	4,337	-	-	-
Due from other governments	31,822	16,499	4,680	-
Due from other funds	-	16,627	-	14,160
Prepaid items	2,919	-	-	-
<b>Total assets</b>	<b>\$ 215,005</b>	<b>\$ 167,388</b>	<b>\$ 35,323</b>	<b>\$ 23,733</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 24,158	\$ -	\$ -	\$ -
Accrued liabilities	2,641	130	61	-
Due to other funds	81,022	-	-	-
<b>Total liabilities</b>	<b>107,821</b>	<b>130</b>	<b>61</b>	<b>-</b>
<b>Fund balances</b>				
Reserved for prepaid items	2,919	-	-	-
Unreserved - undesignated	104,265	167,258	35,262	23,733
<b>Total fund balances</b>	<b>107,184</b>	<b>167,258</b>	<b>35,262</b>	<b>23,733</b>
<b>Total liabilities and fund balances</b>	<b>\$ 215,005</b>	<b>\$ 167,388</b>	<b>\$ 35,323</b>	<b>\$ 23,733</b>

The accompanying notes are an integral part of these financial statements.

<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total</b>
\$ -	\$ -	\$ 350,405
-	-	4,337
-	-	53,001
-	-	30,787
-	-	2,919
	\$ -	\$ 441,449

\$ -	\$ -	\$ 24,158
-	-	2,832
-	-	81,022
-	-	108,012
-	-	2,919
-	-	330,518
-	-	333,437
\$ -	\$ -	\$ 441,449

**VILLAGE OF QUINCY**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**March 31, 2008**

Fund balances - total governmental funds	\$ 333,437
--	------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	3,210,992
Deduct: accumulated depreciation	(1,500,782)

The internal service fund is used by management to charge motor pool activities to individual funds. The assets and liabilities of the motor pool are included in governmental activities in the statement of net assets

Add: net assets of governmental activities account for in the internal service fund	53,648
---	--------

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds and land contract payable	(785,595)
Deduct: accrued interest on bonds payable	(17,338)
Deduct: compensated absences	(8,257)

Net assets of governmental activities	<u><u>\$ 1,286,105</u></u>
---------------------------------------	----------------------------

The accompanying notes are an integral part of these financial statements.



**VILLAGE OF QUINCY**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended March 31, 2008**

	<b>General</b>	<b>Major Streets</b>	<b>Local Streets</b>	<b>Municipal Streets</b>
<b>Revenue</b>				
Taxes	\$ 270,327	\$ -	\$ -	\$ 115,214
Intergovernmental	270,932	129,617	43,912	-
Licenses and permits	1,065	-	-	-
Charges for services	16,561	-	-	-
Fines and forfeitures	2,372	-	-	-
Interest and rents	21,144	3,242	640	8
Other revenue	118,916	-	-	-
	<hr/>			
Total revenue	701,317	132,859	44,552	115,222
	<hr/>			
<b>Expenditures</b>				
General government	250,982	-	-	-
Public safety	207,683	-	-	-
Public works	98,525	54,622	44,309	97,825
Community and economic development	67,666	-	-	-
Recreation and cultural	96	-	-	-
Debt service:				
Principal	49,908	-	-	-
Interest	27,320	-	-	-
Capital outlay	-	-	8,734	-
	<hr/>			
Total expenditures	702,180	54,622	53,043	97,825
	<hr/>			
Revenue over (under) expenditures	(863)	78,237	(8,491)	17,397
	<hr/>			
<b>Other financing sources</b>				
Transfers in	-	-	31,141	-
Transfers out	-	-	-	(20,000)
	<hr/>			
Total other financing sources (uses)	-	-	31,141	(20,000)
	<hr/>			
Net change in fund balances	(863)	78,237	22,650	(2,603)
	<hr/>			
Fund balances, beginning of year, as restated	108,047	89,021	12,612	26,336
	<hr/>			
<b>Fund balances, end of year</b>	<u>\$ 107,184</u>	<u>\$ 167,258</u>	<u>\$ 35,262</u>	<u>\$ 23,733</u>

The accompanying notes are an integral part of these financial statements.

<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total</b>
\$ -	\$ -	\$ 385,541
-	-	444,461
-	-	1,065
-	-	16,561
-	-	2,372
-	73	25,107
-	-	118,916
-	73	994,023
-	-	250,982
-	-	207,683
-	-	295,281
-	-	67,666
-	-	96
10,000	-	59,908
8,160	-	35,480
-	38,778	47,512
18,160	38,778	964,608
(18,160)	(38,705)	29,415
18,160	-	49,301
-	(11,141)	(31,141)
18,160	(11,141)	18,160
-	(49,846)	47,575
-	49,846	285,862
\$ -	\$ -	\$ 333,437

**VILLAGE OF QUINCY**  
**Reconciliation of the Statement of Revenue, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended March 31, 2008**

Net change in fund balances - total governmental funds	\$ 47,575
--	-----------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation

Add: capital outlay	47,237
Deduct: depreciation expense	(126,392)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	59,908
--	--------

Internal service funds are used by management to charge the costs of certain activities to certain funds. A portion of the net revenue (expense) of the internal service fund is reported with governmental activities.

Add: net operating income from governmental activities accounted for in internal service funds	40,091
Deduct: capital contribution expense from governmental internal service fund	(193)
Deduct: incoming transfers reported in the internal service fund	13,750

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrued interest payable on long-term debt	710
Add: decrease in the accrual for compensated absences	3,156

<b>Change in net assets of governmental activities</b>	<b>\$ 85,842</b>
--	------------------

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Statement of Revenue, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended March 31, 2008**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenue</b>				
Taxes:				
Property taxes - general	\$ 254,070	\$ 270,327	\$ 270,327	\$ -
Intergovernmental:				
State revenue sharing	200,000	212,285	210,886	(1,399)
Brownfield	200,000	71,105	60,046	(11,059)
Total intergovernmental	400,000	283,390	270,932	(12,458)
Licenses and permits	1,500	1,065	1,065	-
Charges for services	15,000	16,409	16,561	152
Fines and forfeitures	750	2,372	2,372	-
Interest and rents:				
Interest earned	1,000	4,851	4,851	-
Rental income	16,000	16,293	16,293	-
Total interest and rents	17,000	21,144	21,144	-
Other revenue	112,855	118,916	118,916	-
Total revenue	801,175	713,623	701,317	(12,306)

continued...

**VILLAGE OF QUINCY**  
**Statement of Revenue, Expenditures and Changes**  
**in Fund Balance - Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended March 31, 2008**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Expenditures</b>				
General government:				
Legislative	\$ 12,719	\$ 9,417	\$ 9,417	\$ -
Village Attorney	16,000	15,600	15,600	-
Village Manager	90,606	73,752	74,466	714
Clerk/Treasurer	93,714	85,187	86,155	968
Village Hall	49,000	48,740	48,740	-
Non-departmental	27,300	13,480	16,604	3,124
Total general government	289,339	246,176	250,982	4,806
Public safety	207,684	207,683	207,683	-
Public works:				
Streets	33,350	97,659	98,525	866
Community and economic development:				
Brownfield Grant	200,000	67,666	67,666	-
Recreation and cultural:				
Museum	3,500	96	96	-
Debt service:				
Principal	4,600	49,908	49,908	-
Interest	60,900	27,320	27,320	-
Total debt service	65,500	77,228	77,228	-
Total expenditures	799,373	696,508	702,180	5,672
Revenue over (under) expenditures	1,802	17,115	(863)	(17,978)
Fund balance, beginning of year, as restated	108,047	108,047	108,047	-
<b>Fund balance, end of year</b>	<b>\$ 109,849</b>	<b>\$ 125,162</b>	<b>\$ 107,184</b>	<b>\$ (17,978)</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**Major Streets Special Revenue Fund**  
**For the Year Ended March 31, 2008**

	<b>Original/ Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenue</b>			
Intergovernmental	\$ 117,500	\$ 129,617	\$ 12,117
Interest	700	3,242	2,542
Total revenue	118,200	132,859	14,659
<b>Expenditures</b>			
Public works	133,542	54,622	(78,920)
Revenue (under) over expenditures	(15,342)	78,237	(64,261)
<b>Other financing sources (uses)</b>			
Transfers in	10,000	-	(10,000)
Transfers out	(15,000)	-	15,000
Total other financing sources (uses)	(5,000)	-	5,000
Net change in fund balance	(20,342)	78,237	98,579
Fund balance, beginning of year	89,021	89,021	-
<b>Fund balance, end of year</b>	<b>\$ 68,679</b>	<b>\$ 167,258</b>	<b>\$ 98,579</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**Local Streets Special Revenue Fund**  
**For the Year Ended March 31, 2008**

	<b>Original/ Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenue</b>			
Intergovernmental	\$ 44,500	\$ 43,912	\$ (588)
Interest	100	640	540
Total revenue	44,600	44,552	(48)
<b>Expenditures</b>			
Public works	75,042	44,309	(30,733)
Capital outlay	15,000	8,734	(6,266)
Total expenditures	90,042	53,043	(36,999)
Revenue (under) over expenditures	(45,442)	(8,491)	36,951
<b>Other financing sources</b>			
Transfer in	35,000	31,141	(3,859)
Net change in fund balance	(10,442)	22,650	33,092
Fund balance, beginning of year	12,612	12,612	-
<b>Fund balance, end of year</b>	<u>\$ 2,170</u>	<u>\$ 35,262</u>	<u>\$ 33,092</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**Municipal Streets Special Revenue Fund**  
**For the Year Ended March 31, 2008**

	<b>Original/ Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenue</b>			
Taxes	\$ 113,703	\$ 115,214	\$ 1,511
Interest	-	8	8
Total revenue	113,703	115,222	1,519
<b>Expenditures</b>			
Public works	99,040	97,825	(1,215)
Revenue over expenditures	14,663	17,397	2,734
<b>Other financing uses</b>			
Transfers out	(30,000)	(20,000)	(10,000)
Net change in fund balance	(15,337)	(2,603)	12,734
Fund balance, beginning of year	26,336	26,336	-
<b>Fund balance, end of year</b>	<b>\$ 10,999</b>	<b>\$ 23,733</b>	<b>\$ 12,734</b>

The accompanying notes are an integral part of these financial statements.



**VILLAGE OF QUINCY**  
**Statement of Net Assets**  
**Proprietary Funds**  
**March 31, 2008**

	<b>Business-type Activities</b>			<b>Governmental Activities</b>
	<b>Enterprise Funds</b>			
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>	<b>Internal Service</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ 193,444	\$ 193,444	\$ -
Accounts receivable	18,727	29,456	48,183	-
Due from other funds	-	123,425	123,425	50,235
Inventory	8,486	24,184	32,670	-
Prepaid items	2,644	3,064	5,708	3,783
Total current assets	29,857	373,573	403,430	54,018
Non-current assets:				
Capital assets not being depreciated	21,851	-	21,851	-
Capital assets being depreciated, net	1,207,441	2,334,474	3,541,915	37,855
Total assets	1,259,149	2,708,047	3,967,196	91,873
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	364	1,303	1,667	-
Accrued liabilities	1,083	11,411	12,494	88
Due to other funds	123,425	-	123,425	-
Current portion of long-term debt	25,000	17,000	42,000	9,795
Current portion of compensated absences	109	109	218	-
Total current liabilities	149,981	29,823	179,804	9,883
Long-term liabilities:				
Long-term portion of debt	25,000	938,000	963,000	11,400
Compensated absences payable	976	976	1,952	-
Total long-term liabilities	25,976	938,976	964,952	11,400
Total liabilities	175,957	968,799	1,144,756	21,283
<b>Net assets</b>				
Invested in capital assets, net of related debt	1,179,292	1,379,474	2,558,766	16,660
Unrestricted (deficit)	(96,100)	359,774	263,674	53,930
Total net assets	\$ 1,083,192	\$ 1,739,248	\$ 2,822,440	\$ 70,590

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Enterprise Funds to Net Assets of**  
**Business-type Activities on the Statement of Net Assets**  
**March 31, 2008**

Net assets - total enterprise funds	\$ 2,822,440
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in business-type activities in the Statement of Net Assets

Add: net assets allocated to business-type activities from governmental activity internal service funds	<u>16,942</u>
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Net assets of business type activities	<u><u>\$ 2,839,382</u></u>
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The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Statement of Revenue, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended March 31, 2008**

	<b>Business-type Activities</b>			<b>Governmental</b>
	<b>Enterprise Funds</b>			<b>Activities</b>
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>	<b>Internal Service</b>
<b>Operating revenue</b>				
Charges for services	\$ 257,393	\$ 372,195	\$ 629,588	\$ 110,527
<b>Operating expenses</b>				
Operations	257,344	219,837	477,181	46,803
Depreciation	66,823	110,407	177,230	6,691
Total operating expenses	324,167	330,244	654,411	53,494
Operating (loss) income	(66,774)	41,951	(24,823)	57,033
<b>Non-operating revenue (expense)</b>				
Interest revenue	449	7,221	7,670	-
Interest expense	(3,937)	(48,275)	(52,212)	-
Capital contributions	-	-	-	(193)
Total non-operating revenue (expense)	(3,488)	(41,054)	(44,542)	(193)
<b>Other financing sources (uses)</b>				
Transfers in	73,584	-	73,584	13,750
Transfers out	-	(105,494)	(105,494)	-
Total other financing sources (uses)	73,584	(105,494)	(31,910)	13,750
Change in net assets	3,322	(104,597)	(101,275)	70,590
Net assets, beginning of year	1,079,870	1,843,845	2,923,715	-
<b>Net assets, end of year</b>	<b>\$ 1,083,192</b>	<b>\$ 1,739,248</b>	<b>\$ 2,822,440</b>	<b>\$ 70,590</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Enterprise Funds**  
**to the Statement of Activities**  
**For the Year Ended March 31, 2008**

Net change in net assets - total enterprise funds	\$ (101,275)
---	--------------

Internal service funds are used by management to charge the costs of certain activities, such as equipment usage to individual funds. A portion of the net revenue of the internal service fund is reported with business-type activities.

Add: net operating income from business-type activities accounted for in governmental activities internal service funds	<u>16,942</u>
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Change in net assets of business-type activities	<u><u>\$ (84,333)</u></u>
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The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended March 31, 2008**

	<b>Business-type Activities</b>			<b>Governmental</b>
	<b>Enterprise Funds</b>			<b>Activities</b>
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>	<b>Internal Service</b>
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 256,302	\$ 360,764	\$ 617,066	\$ 60,292
Cash payments to suppliers for goods and services	(223,399)	(174,230)	(397,629)	(41,771)
Cash payments to employees for services	(46,570)	(64,963)	(111,533)	(8,727)
Net cash (used) provided by operating activities	(13,667)	121,571	107,904	9,794
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(36,429)	(29,662)	(66,091)	-
Principal paid on bonds	(20,000)	(15,000)	(35,000)	(9,794)
Interest paid on bonds	(3,937)	(48,275)	(52,212)	-
Net cash used by capital and related financing activities	(60,366)	(92,937)	(153,303)	(9,794)
<b>Cash flows from noncapital financing activities</b>				
Transfers from other funds	73,584	-	73,584	-
Transfers to other funds	-	(105,494)	(105,494)	-
Net cash provided (used) by noncapital financing activities	73,584	(105,494)	(31,910)	-
<b>Cash flows from investing activities</b>				
Interest received on investments	449	7,221	7,670	-
Net (decrease) in cash and cash equivalents	-	(69,639)	(69,639)	-
Cash and cash equivalents, beginning of year	-	263,083	263,083	-
<b>Cash and cash equivalents, end of year</b>	<b>\$ -</b>	<b>\$ 193,444</b>	<b>\$ 193,444</b>	<b>\$ -</b>

continued...

Non-cash transactions

During the year, the internal service fund received capital contributions of \$13,750.  
These transactions did not involve cash.

**VILLAGE OF QUINCY**  
**Statement of Cash Flows**  
**Proprietary Funds (Concluded)**  
**For the Year Ended March 31, 2008**

	<b>Business-type Activities</b>			<b>Governmental</b>
	<b>Enterprise Funds</b>			<b>Activities</b>
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>	<b>Internal Service</b>
<b>Reconciliation of operating income (loss) to net cash (used) provided by operating activities:</b>				
Operating (loss) income	\$ (66,774)	\$ 41,951	\$ (24,823)	\$ 57,033
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities:				
Depreciation	66,823	110,407	177,230	6,691
Changes in assets and liabilities:				
Accounts receivable	(1,091)	(2,557)	(3,648)	-
Due from other funds	-	(8,874)	(8,874)	(50,235)
Inventory	(3,704)	(2,859)	(6,563)	-
Prepaid items	2,748	2,328	5,076	(3,783)
Accounts payable	(10,802)	(8,001)	(18,803)	-
Accrued liabilities	23	498	521	88
Due to other funds	(739)	(11,171)	(11,910)	-
Compensated absences payable	(151)	(151)	(302)	-
<b>Net cash (used) provided by operating activities</b>	<b>\$ (13,667)</b>	<b>\$ 121,571</b>	<b>\$ 107,904</b>	<b>\$ 9,794</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Combining Statement of Net Assets**  
**Component Units**  
**March 31, 2008**

	<b><u>Downtown Development Authority</u></b>	<b><u>Brownfield Redevelopment Authority</u></b>	<b><u>Local Development Financing Authority</u></b>	<b><u>Total</u></b>
<b>Assets</b>				
Cash and cash equivalents	\$ 37,167	\$ 2,715	\$ 96	\$ 39,978
Receivables, net	<u>6,419</u>	<u>-</u>	<u>-</u>	<u>6,419</u>
Total assets	43,586	2,715	96	46,397
<b>Liabilities</b>				
Accounts payable and accrued expenses	<u>1,130</u>	<u>-</u>	<u>-</u>	<u>1,130</u>
<b>Net assets</b>				
Unrestricted	<u><u>\$ 42,456</u></u>	<u><u>\$ 2,715</u></u>	<u><u>\$ 96</u></u>	<u><u>\$ 45,267</u></u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF QUINCY**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended March 31, 2008**

	<b>Downtown Development Authority</b>	<b>Brownfield Redevelopment Authority</b>	<b>Local Development Financing Authority</b>	<b>Total</b>
<b>Revenue</b>				
Taxes	\$ 34,232	\$ 29,480	\$ 6,768	\$ 70,480
Interest revenue	120	2	-	122
Total revenue	34,352	29,482	6,768	70,602
<b>Expenses</b>				
Community and economic development	18,179	-	-	18,179
Brownfield redevelopment	-	30,017	-	30,017
Local development financing authority	-	-	6,732	6,732
Total expenses	18,179	30,017	6,732	54,928
Change in net assets	16,173	(535)	36	15,674
Net assets, beginning of year	26,283	3,250	60	29,593
<b>Net assets, end of year</b>	<u>\$ 42,456</u>	<u>\$ 2,715</u>	<u>\$ 96</u>	<u>\$ 45,267</u>

The accompanying notes are an integral part of these financial statements.



## NOTES to the FINANCIAL STATEMENTS

# VILLAGE OF QUINCY

## Index

### Notes to the Financial Statements

For the Year Ended March 31, 2008

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# VILLAGE OF QUINCY

## Notes To Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, *The Financial Reporting Entity*, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. The discretely presented component units have a March 31 year end.

##### *Discretely Presented Component Units.*

**Downtown Development Authority** - The Downtown Development Authority was created as a tax-increment financing (TIF) district to correct and prevent deterioration in the downtown district, encourage historical preservation and to promote economic growth within the downtown district. The Authority's budget is subject to approval by the Village Council.

**Brownfield Redevelopment Authority** - The Brownfield Redevelopment Authority was established pursuant to Act 381 of the Public Acts of 1996, as amended. The purpose of the Authority is to treat and revitalize environmentally distressed brownfield zones. The Authority's budget is subject to approval by the Village Council.

**Local Development Finance Authority** - The purpose of the Local Development Finance Authority (LDFA) is to finance improvements, through the use of tax increment financing, within the Village. The LDFA was established as a tax-increment financing (TIF) district in 2002 in accordance with Michigan Public Act 248 of 2000.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

# VILLAGE OF QUINCY

## Notes To Financial Statements

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Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Intergovernmental revenues are accrued when earned. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

The *general fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *major streets special revenue fund* accounts for the use of motor fuel taxes which are earmarked by State statute for major street and highway purposes.

The *local streets special revenue fund* accounts for the use of motor fuel taxes which are earmarked by State statute for local street and highway purposes.

The *municipal streets special revenue fund* accounts for the use of resources raised by a millage for the maintenance of municipal streets.

The *debt service fund* accounts for principal and interest payments made on long-term debt.

The *capital projects fund* accounts for the use of funds raised by the issuance of long-term debt for the additions of streets and equipment.

# VILLAGE OF QUINCY

## Notes To Financial Statements

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The Village reports the following major proprietary funds:

The *sewer fund* accounts for the activities of the Village's sewer system.

The *water fund* accounts for the activities of the Village's water distribution and treatment system.

The Village also reports the following fund type:

The *internal service fund* accounts for operations that provide services to other departments of the Village on a cost-reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, liabilities and equity**

#### ***1. Deposits and investments***

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorizes the Village to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments. The Village's investment policy allows for all of these types of investments.

The Village's investments during the year consisted solely of bank investment pools. The bank investment pools are regulated by the Michigan Banking Act and the fair value of the position in the pool is the same as the value of the pooled shares.

# VILLAGE OF QUINCY

## Notes To Financial Statements

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### **2. *Interfund receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

### **3. *Inventories and Prepaid Items***

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **4. *Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items constructed or acquired after 1980), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

# VILLAGE OF QUINCY

## Notes To Financial Statements

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Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water and Sewer Systems	30-50
Equipment	5-15
Buildings	30

### 5. *Compensated absences*

Village employees are allowed to accumulate sick days and vacation days under various formulas with specific rules regarding payment for unused days. The liability for compensated absences has been computed using the vesting method in accordance with Governmental Accounting Standards Board Statement No. 16 and is recorded in the government-wide and proprietary fund financial statements.

### 6. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### 7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# VILLAGE OF QUINCY

## Notes To Financial Statements

### II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund and department. The Village Manager may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Village Council. The legal level of budgetary control is the department level. Certain supplemental budgetary appropriations were made during the year which were not considered material.

#### B. Excess of expenditures over appropriations

	<u>Amended Budget</u>	<u>Actual</u>	<u>Over Budget</u>
General Fund			
General Government:			
Village Manager	\$ 73,752	\$ 74,466	\$ 714
Clerk/Treasurer	85,187	86,155	968
Non-departmental	13,480	16,604	3,124
Public Works:			
Streets	97,659	98,525	866

#### C. Deficit fund equity

The Sewer enterprise fund had a deficit in unrestricted net assets of \$96,100 as of March 31, 2008, although its total net assets (including amounts invested in capital assets) amounted to a positive \$1,083,192.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

A reconciliation of cash and cash equivalents as shown on the statement of net assets is as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total Reporting Entity</u>
Cash and cash equivalents	<u>\$ 543,849</u>	<u>\$ 39,978</u>	<u>\$ 583,827</u>



# VILLAGE OF QUINCY

## Notes To Financial Statements

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Cash and cash equivalents are classified as follows for risk categorization purposes:

	<b><u>Primary Government</u></b>	<b><u>Component Unit</u></b>	<b><u>Total Reporting Entity</u></b>
Bank deposits (checking accounts, savings accounts and CDs)	\$ 459,449	\$ 39,978	\$ 499,427
Investments (sweep accounts)	84,000	-	84,000
Cash on hand	<u>400</u>	<u>-</u>	<u>400</u>
	<b><u>\$ 543,849</u></b>	<b><u>\$ 39,978</u></b>	<b><u>\$ 583,827</u></b>

Investments consisted entirely of amounts in overnight sweep accounts, which are collateralized, and not rated by any credit rating agency.

### ***Deposit and investment risk***

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in list of authorized investments in the accounting policies. The Village's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. None of the Village's deposits or investments had fixed maturity dates at year end.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the accounting policies. The Village's investment policy does not have specific limits in excess of state law on investment credit risk. None of the Village's investments at year end were rated.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year end, \$291,758 of the Village's bank balance of \$587,925 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Village does not have a policy for investment custodial credit risk. Of the above \$84,000 in investments, the Village has a custodial credit risk exposure of \$84,000 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities.

# VILLAGE OF QUINCY

## Notes To Financial Statements

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the accounting policies. The Village's investment policy does not have specific limits in excess of state law on concentration of credit risk. All of the Village's investments are in overnight sweep accounts.

### B. Receivables

Receivables as of year end are comprised of the following:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
Accounts receivable	\$ 4,337	\$ 48,183	\$ 6,419
Due from other governments	53,001	-	-
<b>Total</b>	<b>\$ 57,338</b>	<b>\$ 48,183</b>	<b>\$ 6,419</b>

### C. Capital assets

Capital assets activity for the year ended March 31, 2008 was as follows:

#### Primary Government

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 454,300	\$ -	\$ -	\$ 454,300
Capital assets being depreciated:				
Land improvements	1,594,491	47,237	-	1,641,728
Buildings	624,328	-	-	624,328
Equipment	534,630	13,750	-	548,380
Total capital assets being depreciated:	2,753,449	60,987	-	2,814,436
Less accumulated depreciation for:				
Land improvements	(811,158)	(85,094)	-	(896,252)
Buildings	(176,113)	(17,894)	-	(194,007)
Equipment	(400,317)	(30,095)	-	(430,412)
Total accumulated depreciation	(1,387,588)	(133,083)	-	(1,520,671)
Total capital assets being depreciated, net	1,365,861	(72,096)	-	1,293,765
<b>Governmental activities capital assets, net</b>	<b>\$ 1,820,161</b>	<b>\$ (72,096)</b>	<b>\$ -</b>	<b>\$ 1,748,065</b>

# VILLAGE OF QUINCY

## Notes To Financial Statements

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 21,851	\$ -	\$ -	\$ 21,851
Capital assets being depreciated:				
Buildings	136,225	-	-	136,225
Equipment	457,201	-	-	457,201
Infrastructure	4,998,683	66,091	-	5,064,774
Total capital assets being depreciated:	5,592,109	66,091	-	5,658,200
Less accumulated depreciation for:				
Buildings	(88,821)	(4,239)	-	(93,060)
Equipment	(132,388)	(24,766)	-	(157,154)
Infrastructure	(1,717,846)	(148,225)	-	(1,866,071)
Total accumulated depreciation	(1,939,055)	(177,230)	-	(2,116,285)
Total capital assets being depreciated, net	3,653,054	(111,139)	-	3,541,915
<b>Business-type activities capital assets, net</b>	<u><u>\$ 3,674,905</u></u>	<u><u>\$ (111,139)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,563,766</u></u>

Depreciation expense was charged to functions/programs of the primary government as follows:

### Governmental Activities:

General government	\$ 22,286
Public works	104,106
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>6,691</u>

**Total depreciation expense – governmental activities** \$ 133,083

### Business-type Activities:

Sewer	\$ 66,823
Water	<u>110,407</u>

**Total depreciation expense – business-type activities** \$ 177,230

# VILLAGE OF QUINCY

## Notes To Financial Statements

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### D. Accounts payable and accrued liabilities

Payables as of year end are comprised of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>
Accounts payable	\$ 24,158	\$ 1,667	\$ 1,130
Accrued liabilities	20,258	12,494	-
<b>Total</b>	<b><u>\$ 44,416</u></b>	<b><u>\$ 14,161</u></b>	<b><u>\$ 1,130</u></b>

### E. Interfund receivables, payables and transfers

The composition of interfund balances as of March 31, 2008, is as follows:

	<u>Receivable</u>	<u>Payable</u>
<b>Due to/from other funds:</b>		
General Fund	\$ -	\$ 81,002
Special Revenue Funds		
Major Street	16,627	-
Municipal Street	14,160	-
Enterprise Funds		
Sewer	-	123,425
Water	123,425	-
Internal Service Fund	50,235	-
	<u>\$ 204,447</u>	<u>\$ 204,427</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

# VILLAGE OF QUINCY

## Notes To Financial Statements

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For the year ending June 30, 2008, interfund transfers consisted of the following:

	<b>Transfers In</b>	<b>Transfers Out</b>
Governmental activities:		
Local Streets	\$ 31,141	\$ -
Major Streets	-	20,000
Debt Service	18,160	-
Capital Projects	-	11,141
Internal Service	13,750	-
Business-type activities:		
Sewer	73,584	-
Water	-	105,494
	<b>\$ 136,635</b>	<b>\$ 136,635</b>

### **F. Long-term debt**

Long-term debt at March 31, 2008, is comprised of the following.

#### **Governmental activities**

2002 Capital Improvement Bonds, \$750,000, maturing serially through October 2016 in annual amounts ranging from \$45,000 to \$80,000, plus interest ranging from 2.25% to 5.00%.

2007 Capital Improvement Bonds, \$225,000, maturing serially through October 2018 in annual amounts ranging from \$10,000 to \$80,000, plus interest at a rate of 4.22%

2005 Salt Bin, Dump Truck and Leaf Vacuum, \$66,095, maturing serially through November 2010 in monthly payments ranging from \$531 to \$6,444, plus interest at a rate of 4.30%.

# VILLAGE OF QUINCY

## Notes To Financial Statements

	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008	Due Within One Year
<b>Governmental activities:</b>					
2002 Capital improvement bonds	\$ 605,000	\$ -	\$ 45,000	\$ 560,000	\$ 50,000
2007 Capital improvement bonds	225,000	-	10,000	215,000	10,000
2005 Salt bin	15,503	-	4,908	10,595	4,908
2005 One ton dump truck	20,406	-	6,444	13,962	6,444
2005 Leaf vacuum	10,583	-	3,350	7,233	3,351
	<u>876,492</u>	<u>-</u>	<u>69,702</u>	<u>806,790</u>	<u>74,703</u>
Compensated absences	<u>11,413</u>	<u>-</u>	<u>3,156</u>	<u>8,257</u>	<u>3,303</u>
<b>Total</b>	<b><u>\$ 887,905</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 72,858</u></b>	<b><u>\$ 815,047</u></b>	<b><u>\$ 78,006</u></b>

For governmental activities, compensated absences are typically liquidated by the General Fund.

The annual requirements to service governmental activities obligations, excluding compensated absences payable, as of March 31, 2008, are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total
2009	\$ 74,703	\$ 34,725	\$ 109,428
2010	79,703	31,634	111,337
2011	72,384	28,399	100,783
2012	70,000	25,372	95,372
2013	80,000	22,155	102,155
2014-2018	405,000	49,843	454,843
2019	<u>25,000</u>	<u>1,038</u>	<u>26,038</u>
	<b><u>\$ 806,790</u></b>	<b><u>\$ 193,166</u></b>	<b><u>\$ 999,956</u></b>

# VILLAGE OF QUINCY

## Notes To Financial Statements

### Business-type activities

1995 Water Supply and Sewage Disposal Revenue Bonds, \$250,000, maturing serially through January 2010 in annual amounts ranging from \$20,000 to \$25,000, plus interest ranging from 5.50% to 7.00%.

1997 Water Supply and Sewage Disposal Revenue Bonds, \$1,091,000, maturing serially through January 2037 in annual amounts ranging from \$15,000 to \$53,000, plus interest at a rate of 4.50%.

	<b>Balance April 1, 2007</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance March 31, 2008</b>	<b>Due Within One Year</b>
<b>Business-Type activities:</b>					
1995 Water Supply Revenue Bonds	\$ 70,000	\$ -	\$ 20,000	\$ 50,000	\$ 25,000
1997 Water Supply Revenue Bonds	970,000	-	15,000	955,000	17,000
	<u>1,040,000</u>	<u>-</u>	<u>35,000</u>	<u>1,005,000</u>	<u>42,000</u>
Compensated absences	2,472	-	302	2,170	218
<b>Total</b>	<b><u>\$ 1,042,472</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 35,302</u></b>	<b><u>\$ 1,007,170</u></b>	<b><u>\$ 42,218</u></b>

The annual requirements to service business-type activities debt obligations excluding compensated absences payable, as of March 31, 2008, are as follows:

<b>Fiscal Year Ending March 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	\$ 42,000	\$ 46,011	\$ 88,011
2010	42,000	43,735	85,735
2011	18,000	41,445	59,445
2012	19,000	40,635	59,635
2013	20,000	39,780	59,780
2014-2018	113,000	184,770	297,770
2019-2023	142,000	156,780	298,780
2024-2028	178,000	121,590	299,590
2029-2033	220,000	78,075	298,075
2034-2037	211,000	23,985	234,985
	<b><u>\$ 1,005,000</u></b>	<b><u>\$ 776,806</u></b>	<b><u>\$ 1,781,806</u></b>

### G. Segment information-enterprise funds

The government issued revenue bonds to finance certain improvements to its water and sewer systems. Because the Sewer Fund and the Water Fund are each reported as major funds in the fund financial statements and account entirely for a specific segment, disclosures are not required herein.

# VILLAGE OF QUINCY

## Notes To Financial Statements

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### IV. OTHER INFORMATION

#### A. Risk management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2008, the Village carried insurance through various commercial carriers, including the Michigan Municipal League, to cover all risks of losses. The Village has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

#### B. Property taxes

Village property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are measurable and available in accordance with NCGA interpretation 3 (Revenue Recognition - Property Taxes). The Village bills and collects its own property taxes. Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied the following July 1 and are payable without penalty through September 15, at which time uncollected real property taxes are turned over to the County for reimbursement from their revolving tax fund. The Village continues to collect delinquent personal property taxes.

The State taxable value of all real and personal property on which Village tax levies were based for the year ended March 31, 2008, was \$23,074,849 and the millage rates were 11.7894 mills for general operations and 4.7137 mills for municipal streets.

#### C. Defined contribution pension plan

The Village maintains a defined contribution pension plan (the "Village of Quincy Defined Contribution Pension Plan", or the "Plan") for substantially all employees. The employees are eligible to enter the Plan starting either January 1 or July 1 following the attainment of the age of twenty-one and the performance of 1,000 hours of service. Employees are fully vested upon entrance into the Plan. The Village Council established the Plan, and may amend it, and the related contribution requirements. The Plan is administered by a third-party insurance company.

The total covered payroll under the Plan amounted to \$180,321 compared to \$290,948 of total payroll.

The Village is required to make annual contributions to the Village Employee's Pension Trust based on six percent of compensation. The Plan is non-contributory for employees.

Employer contributions made to the Plan for the year ended March 31, 2008, amounted to \$10,819.



# VILLAGE OF QUINCY

## Notes To Financial Statements

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### **D. Restatement**

Beginning fund balance in the general fund was increased by \$4,185 in order to correctly state accounts receivable at the beginning of the year. This resulted in an equal increase to net assets of governmental activities.

\* \* \* \* \*



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

September 30, 2008

Members of the Village Council  
Village of Quincy  
Quincy, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Village of Quincy, Michigan* (the "Village") as of and for the year ended March 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control over financial reporting. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

#### **2008-1 – Preparation of Financial Statements in Accordance with GAAP**

**Criteria:** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

**Condition:** As is the case with many smaller and medium-sized entities, the Village has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Village's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls. This is a repeat comment from the prior year.

**Cause:** This condition was caused by management's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

**Effect:** As a result of this condition, the Village lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

#### **View of Responsible**

**Officials:** Management has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

#### **2008-2 – Adjustment of Year-end Trial Balances**

**Criteria:** The Village is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

**Condition:** Several significant adjustments were necessary to agree key account to their proper underlying balances including adjustments to utility revenue and receivable accounts, internal service fund reporting, state revenue and receivables and several other accounts, along with the reversal of prior year adjustments. This is a repeat comment from the prior year.

**Cause:** The condition was caused by the Village relying, in part, on its external auditors to assist with proposing certain year end accruals and other adjustments.

**Effect:** As a result of this condition, the Village is not able to produce accurate financial information that would allow those charged with governance to make fully informed decisions.

**View of  
Responsible**

**Officials:** Management acknowledges its responsibility for making these adjustments, and intends to develop a plan to identify and record all necessary year end adjustments in the future.

**2008-3 – Segregation of Incompatible Duties**

**Criteria:** Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Village's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.

**Condition:** As is the case with many organizations of similar size, the Village lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of a government's internal controls carries with it a greater risk of fraud and abuse.

**Cause:** This condition is a result of the Village's limited resources, and the small size of its accounting staff.

**Effect:** As a result of this condition, the Village is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely basis.

**Recom-**

**mendation:** While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

**View of Responsible**

**Officials:** The Village Council is aware of the risks associated with this condition, and has made the determination that given the Village's resource limitations, full segregation of duties is not feasible at this time. Accordingly, the Village Council will continue to review monthly information to mitigate this risk, and rely on the annual external audit to help identify and correct misstatements, as needed.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-1 and 2008-2 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the *Village of Quincy, Michigan*, in a separate letter dated September 30, 2008.

The Village's responses to the findings identified in our audit are presented above. We did not audit the Village's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, the governing board, management, others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.





**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP

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September 30, 2008

Members of the Village Council  
Village of Quincy  
Quincy, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Village of Quincy* (the "Village") for the year ended March 31, 2008, and have issued our report thereon dated September 30, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards**

As stated in our engagement letter dated May 22, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Village. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Village's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on June 12, 2008.

**Significant Audit Findings***Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

The financial statements may be affected by unusual transactions, including nonrecurring transactions. The following significant unusual accounting transactions occurred during the year:

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 30, 2008.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



This information is intended solely for the use of the governing body and management of the ***Village of Quincy*** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Lohorn". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

**Village of Quincy**  
**Comments and Recommendations**  
**For the Year Ended March 31, 2008**

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In planning and performing our audit of the financial statements of the Village of Quincy (the "Village") as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be significant deficiencies are described in which are described in our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be material weaknesses are described in which are described in our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

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